

Annual Report  
1965



**SPARTAN**







**S P A R T A N**  
**Air Services Limited**  
**and its Subsidiaries**

**ANNUAL REPORT**

FOR THE YEAR ENDED OCTOBER 31, 1965







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**Air Services Limited**  
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## SUBSIDIARY COMPANIES

Sulmac Exploration Services Limited  
Toronto, Canada

Velocity Surveys Limited  
Calgary, Alberta  
Brisbane, Australia

Spartan Air Services, S.A.  
Buenos Aires, Argentina

Meridian Airmaps Limited  
Lancing, England

Spartan Air Services Pty. Ltd.  
Brisbane, Australia

## CORPORATE DATA

### DIRECTORS

W. P. McGILL

B. E. McGILL

F. C. McCONNELL

E. A. GLICK

J. H. HAWKE

D. W. McLARTY

Auditors  
Harbinson, Glover & Co.

Transfer Agent and Registrar  
The Royal Trust Company  
Toronto, Montreal, Winnipeg and Vancouver

Legal Counsel  
Manley, Grant & Armstrong, Toronto



## *To the Shareholders:*

### *Introduction*

Diversification and growth, resulting in higher earnings, is a continuing objective of the company. Much has been accomplished along these lines in the 1965 fiscal year. It is, therefore, with considerable enthusiasm that this review and report is presented.

An analysis of the Balance Sheet which follows this report shows good progress in all sectors. The aims set by the directors at the commencement of the fiscal year have in almost every instance been achieved. The outlook for the 1966 fiscal year is extremely good and an important advance in earnings is anticipated.

### *Financial Results*

Consolidated net earnings for the period amounted to \$327,065, equivalent to 13.7 cents per common share and representing an increase of 35.6% over the 1964 fiscal year.

Acquisition of new equipment by all companies during the year has resulted in an increase of \$564,814 in the value of capital assets.

Other financial data of interest is shown in graph form elsewhere in this report.

### *Employees*

There has been no significant change in the number of employees in the service of the company. The total, embracing all companies in the group, remains at approximately 700.

### *Shareholders*

The number of shareholders of record at October 31, 1965, was 1,632.

### *The Year in Review*

The year was marred by the sudden death of Mr. J. A. Roberts, founder and first President of Spartan Air Services Limited. His tenure in office saw the firm grow from a single aircraft operation in 1946 to the present highly developed engineering company. Mr. Roberts' enthusiasm and faith in the future of the company affected all those fortunate enough to be associated with him. His foresight was a matter of legend.

John Roberts' friendship will be sadly missed by all who knew him.

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Canada's continued prosperity in 1965 is reflected in the results of the Company's Canadian operations. Volume of business completed in Canada alone was up 20% over last year. On a consolidated basis, total volume of business was up 32% and constitutes an all-time record for the company.

In Canada, the parent company was again successful in obtaining an increased share of the available market. Fixed wing and helicopter operations, photogrammetric mapping and airborne geophysical compilation, continued at a satisfactory pace. Most noteworthy of mention at this time, however, is the company's greatly increased capability in the fields of land resources and regional research and analysis.

Forest capability has been increased to include silviculture and forest management. Capability for economic data assessment and organization for computers, and capability for regional research and analysis, has been enhanced by the important addition to the staff of a senior economist and a senior sociologist.



The company's Assessment Determination & Evaluation Team (ADET) continues under contract to the Agricultural Rehabilitation & Development Administration (ARDA). This team has been entrusted with integrating and analyzing all the work of the Canada Land Inventory, a survey covering some half million square miles, and which is basic to the agricultural intensification in Canada.

It will be of interest to the shareholders to know that included in the permanent staff of the company are senior scientists in the fields of agricultural economics, economic geography, sociology, soils, forestry, mining and oil geology and geophysics, photogrammetric cartography, computer programming, statistics, and civil engineering.

The combination of these earth and engineering scientists with the facilities inherent in a major survey organization, permit the company to provide a unique service to all the developing areas of the world.

Overseas, the year saw the successful completion of a major survey in the Middle East, and a helicopter operation in Peru. The two Canadian Government External Aid projects in East Africa, the forest inventory and training programme in Kenya and the mapping project in Tanzania, continued successfully throughout the year.

In the mining field, Sulmac Exploration Services Limited enjoyed its most active year in the past seven. There was a marked increase over the previous year in the total volume of business completed. This reflects the continuing exploration activity in Eastern Canada, as well as the greatly increased mining interest in British Columbia, the Northwest Territories, and the Yukon Territory.

The year also saw the extension of Sulmac's services into Latin America. Property examina-

tions were conducted in Peru and Ecuador. As a result, a contract to manage an active mining operation in Ecuador was secured.

Velocity Surveys Limited, engaged mainly in oil exploration in Western Canada, experienced the most active year in its history. Gross contract billings increased by 61% over the prior year's activity. Earnings were up substantially.

New equipment was purchased this year by Velocity to a value of \$156,000. Included in these capital purchases was a central magnetic playback system. This equipment is used for preparing geophysical cross-sections from magnetic field tapes, and permits the company to provide a service which is very much in demand. The instrument has been operating on a 24 hour basis since it was installed late in the year.

The company is also operating two seismic crews equipped with tracked vehicles in the new productive Rainbow Lake field of Northern Alberta, and has continued to be the most active exploration company in that area.

Spartan Air Services S.A. has continued to make exceptional progress in Argentina and is now the leading survey organization in that country, and undoubtedly in South America. Sales increased 47% over the previous year and earnings were up 24%. These increased activities necessitated that the company purchase additional aircraft, aerial cameras, and first order plotters. These purchases were made entirely from Spartan S.A.'s own resources.

In addition to the original cadastral mapping contracts in the provinces of Mendoza and San Luis, the company is now engaged in major projects in the province of Buenos Aires and the City of Cordoba. Total number of clients has risen from the original two to a total of 27. This has provided the diversification necessary to assure a broad base for the company's continued activities in Argentina.



Payments on Argentine operations are being received on a current basis and satisfactory arrangements have been made for the repatriation of the original investment to Canada.

Meridian Airmaps Limited, the United Kingdom associate company, experienced a reasonably good year, aided to a large extent by the much improved performance of the recently acquired photographic aircraft.

## *Outlook*

If thought is given in any depth at all to the relationship between the company's activities around the world, and the need to house, feed, clothe and transport ever increasing numbers of people, then there can be little doubt of the long-term demand on the vital services provided by this company.

It is confidently believed by the company's directors and management that Spartan's growing emphasis on the earth sciences will enable the company to meet the inevitable and growing need for knowledge and proper planning of the exploitation and regeneration of the earth's resources.

In the more immediate future, there is every reason to believe that the 1966 fiscal year will prove to be a most satisfactory one for the company. Spartan Air Services Limited is entering the new period with work booked in an amount well in excess of the total volume of business completed during the year under report.

In the mining and oil exploration fields, both Sulmac Exploration Services Limited and Velocity Surveys Limited enter the new period working to capacity. There is no intention, however, to permit expansion beyond a level which can reasonably be sustained.

Spartan Air Services S.A. forecasts a good year and particularly expects a substantial improvement in its cash position. Meridian Airmaps Limited also reports an excellent picture for 1966.

The outlook for Spartan in 1966, both in Canada and overseas, can, therefore, be viewed with considerable optimism and satisfaction. The rate of growth and increased earnings enjoyed over the past five years can confidently be expected to be surpassed in the fiscal year just commencing.

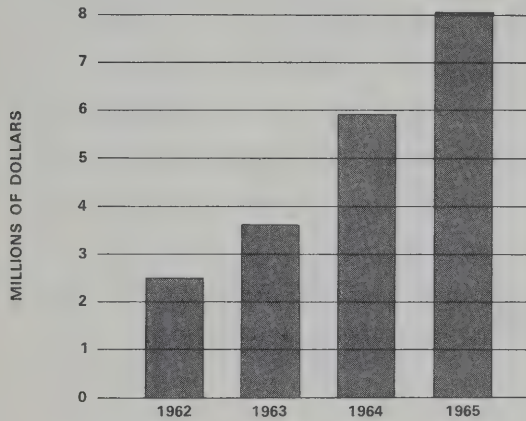
Presented on behalf of the Board,

W. P. McGill,  
President.

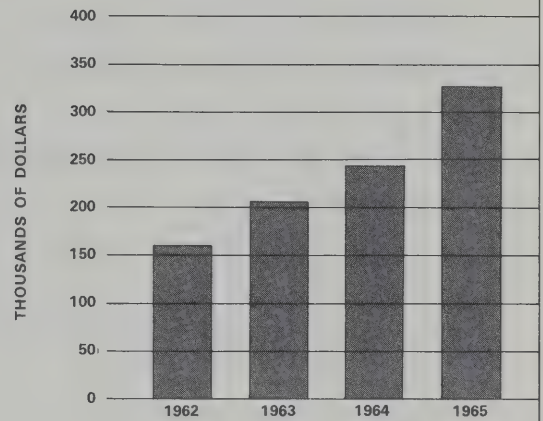


## Graphical Record of Progress — 1962-1965

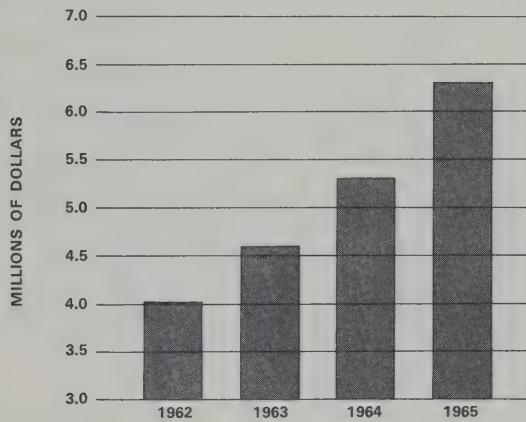
### SALES



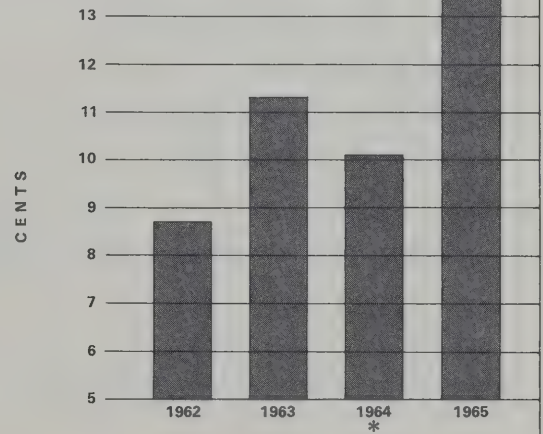
### NET INCOME



### GROSS ASSETS



### EARNINGS PER SHARE



1962 FIGURES NOT CONSOLIDATED

\* - 500,000 SHARES ISSUED DURING PERIOD



# Spartan Air Services Limited

## Consolidated Balance Sheet as

### ASSETS

#### Current:

Cash on hand and in bank.....	\$	52,971	
Marketable securities at cost (market value \$6,700) (Note 8).....		26,491	
Deposits and accounts receivable, less allowance for doubtful accounts.....		2,803,120	
Unbilled contract work—at selling price.....		371,837	
Inventories:			
Work-in-process—at selling price, less estimated profit margin.....	\$325,761		
Components, spare parts and miscellaneous supplies, at cost (Note 10).....	402,038	727,799	
Prepaid expenses and deferred charges.....		110,588	\$4,092,806

#### Fixed (at cost):

Aircraft and aerial cameras.....	\$1,786,886		
Other equipment.....	2,106,355		
Buildings on leasehold land.....	292,415		
Leasehold improvements.....	24,062		
	\$4,209,718		
Less: Accumulated depreciation and amortization.....	2,321,055	1,888,663	

Organization expense, less amortization ..... 126,996

Excess of the cost of investment in subsidiaries over the book value of their net assets..... 235,154

\$6,343,619

Approved on behalf of the Board:

"W. P. McGILL," Director.

"B. E. McGILL," Director.



# nd Its Subsidiaries

October 31, 1965

## LIABILITIES

### Current:

Bank advances (partially secured).....	\$ 241,294	
Accounts payable and accrued liabilities.....	1,087,488	
Loans payable (secured).....	859,423	
Income taxes payable.....	65,065	
Current instalments of funded debt and other long-term liabilities..	354,728	
Advance payments on contracts.....	507,810	\$3,115,808

Funded debt and other long-term liabilities (Note 5).....	\$ 985,731	
Less: Instalments included with current liabilities.....	354,728	631,003

## SHAREHOLDERS' EQUITY

### Capital Stock:

#### Authorized:

1,350	6% Cumulative redeemable Class "A" preferred shares of a par value of \$100 each
8,500	6% Cumulative redeemable Class "B" preferred shares of a par value of \$100 each, less 457 shares purchased for redemption and cancelled
3,000,000	Common shares of no par value (Note 6)

### Issued and fully paid:

1,350	Class "A" preferred shares (Note 7).....	\$ 135,000	
2,387,015	Common shares.....	3,018,943	
		<u>\$3,153,943</u>	
Deficit (Exhibit 2) (Note 12).....		557,135	2,596,808
			<u>\$6,343,619</u>

The notes to the consolidated financial statements are an integral part of this statement.

# Spartan Air Services Limited and Its Subsidiaries

## Consolidated Statement of Earnings

### For the Year Ended October 31, 1965

Sales.....			\$8,084,446
Operating Costs.....			<u>7,119,295</u>
Profit before taking into account the following items.....			\$ 965,151
Depreciation and amortization of fixed assets (Note 11).....	\$ 295,815		
Amortization of organization expense.....	18,000		
Interest on funded debt and other long-term liabilities.....	45,900		
Legal fees.....	3,893		
Remuneration of executive officers including subsidiaries.....	159,581		
Loss on disposal of investments.....	3,775		
Bad debts written off.....	104,229		
		<u>\$ 631,193</u>	
Less: Profit on disposal of assets (net).....	\$ 30,273		
Profit on redemption of Series "A" debentures.....	8,170	38,443	592,750
			<u>\$ 372,401</u>
Provision for income taxes.....			<u>45,336</u>
Net profit.....			<u><u>\$ 327,065</u></u>

## Consolidated Statement of Deficit

### For the Year Ended October 31, 1965

Balance, November 1, 1964.....	\$ 720,702
Unrealized loss on exchange on conversion of accounts of foreign subsidiary.....	129,826
Minority interest (deficit) in subsidiary.....	<u>33,672</u>
	\$ 884,200
Net profit.....	<u>327,065</u>
	<u><u>\$ 557,135</u></u>

The notes to the consolidated financial statements are an integral  
part of this statement



# AUDITORS' REPORT

To the Shareholders of  
SPARTAN AIR SERVICES LIMITED

We have examined the consolidated balance sheet of Spartan Air Services Limited and its subsidiaries as at October 31, 1965, and the consolidated statements of earnings and deficit for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and consolidated statements of earnings and deficit present fairly the financial position of the company and its subsidiaries as at October 31, 1965, and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

HARBINSON, GLOVER & CO.  
Chartered Accountants

Toronto, Ontario,  
March 24, 1966.

# Spartan Air Services Limited and Its Subsidiaries

## Notes to Consolidated Financial Statements as at October 31, 1965

**Note 1.** The consolidated statements include 100 % of Sulmac Exploration Services Limited, Velocity Surveys Limited, Badger Drilling Co. Ltd., and Spartan Air Services S.A. and 51 % of Meridian Airmaps Limited. There are other subsidiaries not consolidated which are inactive and are valued at \$1.00 each.

**Note 2.** The accounts of Spartan Air Services S.A. are included in the consolidated statements at the rate of exchange of \$.0062 Canadian to 1 (one) Argentine peso with the exception that fixed assets, incorporation expense and issued capital are converted at the rates of exchange effective at the dates of acquisition. The accounts of Meridian Airmaps Limited are included in the consolidated statements at the rate of exchange of \$3.00 Canadian to £1 Sterling.

**Note 3.** The loan due to the Industrial Development Bank, secured by a first, fixed and specific charge on the Company's aircraft and equipment and a first floating charge on all other property and assets has been renegotiated to provide for the following payments—two payments of \$8,800 by December 23, 1965, \$72,000 by December 23, 1966, and \$90,000 by December 23, 1967. Interest will be computed at 7 % per annum payable monthly.

**Note 4.** The sinking fund requirements of the series "A" debentures at present call for an annual principal redemption of \$72,000 on the first day of December, 1965 to 1969 inclusive.

**Note 5.** Funded debt and other long-term liabilities include the following obligations:

Notes payable (secured)—(maturing 1965-1970).....	\$401,131
Bank Loan (secured)—(maturing 1965-1970).....	45,000
Industrial Development Bank Loan (secured)—(Note 3).....	179,600
6 % Sinking fund debentures Series "A" (secured)—(Note 4).....	360,000
	<u>\$985,731</u>

**Note 6.** Share purchase warrants in respect of 99,900 common shares are outstanding at October 31, 1965 at the price of \$5.50 per share if exercised on or before December 1, 1966.

**Note 7.** Dividends aggregating \$64,800 on the Class "A" preferred shares are in arrears for the fiscal years 1958 to 1965 inclusive. Under the rights and privileges attached to those shares, each share carries the right to 100 votes when dividends are in arrears for two or more years.

**Note 8.** Marketable securities of a subsidiary include 93,128 shares of Mespi Mines Limited received in settlement of an account receivable previously written off. The value of \$18,626 attributed thereto by management is equivalent to the account written off.

**Note 9.** A subsidiary company is contingently liable as a guarantor for mortgages of approximately \$49,800.

**Note 10.** The inventory of fixed wing components amounting to \$98,119 was not physically counted by management due to little turnover in 1965. For the purposes of our audit we have accepted a certificate signed by an officer of the company that this inventory was on hand and valued at cost.

**Note 11.** Depreciation was not taken, as in prior years, on certain aircraft, the book value of which was felt by management to be below their market value. The amount of depreciation on the straight line basis not taken was \$41,345.

**Note 12.** Included in the deficit account is a contributed surplus of \$147,768 and a capital surplus of \$45,700.







